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Determinants of Institutional Economics in ASEAN-5 Countries

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INTRODUCTION

Institutional economics is an essential and important aspect in determining the development and economic growth of a country. It is noteworthy that there are growing numbers of studies that highlight the relationship of this aspect with economic growth. Todaro and Smith (2015) emphasised that institutional economics is defined as an institution that provides an underlying basis and support of a market economy. In other words, it has the authority to create rules of property rights and contract enforcement, improving coordination, restricting coercive and fraudulent, as well as anticompetitive behavior. By having strong and influential institutions backing up an economy, it is believed that the speed of achieving a better economic growth as well as a better welfare of the community can be fast-forward. There are some benchmark being identified to measure the institutional economics such as government effectiveness, political stability and corruption.

Government effectiveness is a crucial factor in determining the growth in a country where the government has the jurisdiction over public service provision, bureaucracy, competence of civil servants, independence of the civil service from political pressures and provide basic needs for the public. On the other hand, corruption is an action of executing of public power for private gain (Kaufmann, Kraay, and Mastruzzi, 2003). In other words, corruption is considered as bribery and illegal payment that can benefit for both the party involved. Corruption is a negative element that needs to be subtracted from the economy. A stable political operating environment can nurture a healthy economic business and even to the citizens. As for a bigger regional integration like the Association of Southeast Asian Nations 5 (ASEAN-5), political stability measures the